

REPORT / RECOMMENDATION



To: MAYOR AND COUNCIL

Agenda Item #: VI. A.

From: John Wallin, Finance Director

Action ☒

Discussion ☐

Date: June 17, 2014

Information ☐

Subject: PUBLIC HEARING - Issuance of Housing Revenue Bond On Behalf of Yorktown Continental, LP, Resolution No. 2014-65 Conduit Debt

Action Requested:

Hold public hearing and Adopt Resolution No. 2014-65 Giving Preliminary Approval of Multifamily Housing Revenue Bonds (Yorktown Continental, LP Project), Series 2014

Information / Background:

Yorktown Continental, LP (the "Borrower"), a limited-purpose entity, proposes to acquire and rehabilitate the existing 264-unit Yorktown Continental apartment building located at 7151 York Avenue South. The Borrower is requesting that the City give preliminary approval to the issuance of up to \$26,500,000 in bonds to finance a portion of the cost of the project. Other sources of financing for the approximately \$64,000,000 project include various sources of taxable financing and low-income housing tax credit equity. Final approval of the project and bond issuance by the City is subject to completion the public hearing, and review of documents. Representatives from Yorktown Continental will be at the public hearing to discuss the project and the financing.

The attached resolution as drafted by Dorsey & Whitney gives preliminary authorization for the issuance of Housing Revenue Bonds on behalf of Yorktown Continental, LP for the proposed project at 7151 York Avenue South. The Bonds will be special, limited obligations of the City and will be payable solely from the revenues pledged to the payment thereof. No holder of any Bond will ever have the right to compel any exercise of the taxing power of the City to pay the Bonds, or the interest thereon, nor to enforce payment thereon against any property of the City, except money payable by the Borrower to the City and pledged to the payment of the Bonds. The City is authorized by Minnesota Statutes, Chapter 462C, to issue the Bonds to finance multifamily housing developments such as the Development.

If the Council approves Resolution 2014-65, Yorktown Continental, LP proposes to return at the July 1 Council meeting for the sale of the bonds.

ATTACHMENT:

Resolution 2014-65

Program for Multifamily Housing Development

Tax-Exempt Revenue Bond Financing Guidelines

Affidavit of Publication

**CERTIFICATION OF MINUTES RELATING TO
TO THE ISSUANCE OF HOUSING REVENUE BONDS PURSUANT TO MINNESOTA
STATUTES, CHAPTERS 462A AND 462C ON BEHALF OF YORKTOWN
CONTINENTAL, LP**

Issuer: City of Edina, Minnesota

Governing Body: City Council

Kind, date, time and place of meeting: A regular meeting held on June 17, 2014, at
7:00 o'clock P.M., at the City Hall.

Councilmembers present:

Councilmembers absent:

Documents Attached:

Minutes of said meeting (pages): 1 through ____

RESOLUTION NO. 2014-65

**RESOLUTION GIVING PRELIMINARY APPROVAL OF
MULTIFAMILY HOUSING REVENUE BONDS (YORKTOWN
CONTINENTAL, LP PROJECT), SERIES 2014**

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certifying that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this ____ day of _____,
2014.

Debra Mangen, City Clerk

RESOLUTION GIVING PRELIMINARY APPROVAL OF MULTIFAMILY
HOUSING REVENUE BONDS (YORKTOWN CONTINENTAL, LP PROJECT), SERIES
2014

BE IT RESOLVED by the City Council of the City of Edina, Minnesota (the "City"), as follows:

Section 1. Recitals.

The City has by resolution adopted May 20, 2014, given preliminary approval to the issuance of its Multifamily Housing Revenue Bonds (Yorktown Continental, LP Project), Series 2014 in a principal amount not to exceed \$26,500,000 (the "Bonds") for the purpose of making a loan to Yorktown Continental, LP, a Minnesota limited partnership (the "Borrower") to finance a portion of the costs of the acquisition, rehabilitation and equipping of a 264-unit low-income housing development (the "Project") located at 7151 York Avenue South in the City. The City is authorized by Minnesota Statutes, Chapter 462C (the "Act"), to issue the Bonds to finance multifamily housing projects such as the Project. Minnesota Statutes, Section 462C.07 provides that programs for such multifamily housing projects may be financed with revenue bonds issued by the City, following adoption of a housing program, after a public hearing, and other proceedings conducted in accordance with the requirements of the Act. A copy of the Housing Program prepared with respect to the Project and its financing (the "Housing Program") has been presented to this Council and is ordered placed on file with the City Clerk. The Housing Program has been submitted to the Metropolitan Council for review and comment as required by the Act.

1.2. At a public hearing, duly noticed and held on the date hereof, in accordance with Minnesota Statutes, Section 462C.05, subdivision 5 and Section 147(f) of the Internal Revenue Code of 1986, as amended, on the proposal to issue the Bonds and approve the Housing Program, all parties who appeared at the hearing were given an opportunity to express their views with respect to such proposal and interested persons were given the opportunity to submit written comments to the City Manager before the date of the hearing.

Section 2. Preliminary Approval of Bond Financing. On the basis of the information given the City to date, the views submitted at the public hearing and the written comments (if any) submitted to the City on the Housing Program and issuance of the Bonds, the Housing Program is hereby adopted and preliminary approval is hereby given to the issuance of the Bonds, in an amount not to exceed \$26,500,000, to provide financing for the Project. The adoption of this resolution shall not be deemed, however, to establish a legal obligation on the part of the City or its Council to issue or to cause the issuance of the Bonds. All details of the Bonds and the provisions for payment thereof shall be subject to final approval of this Council prior to their issuance. The Bonds, if issued, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City, except the revenues to be received from the operation of the Project and owner thereof specifically pledged to the payment thereof, and each

Bond, when, as and if issued, shall recite in substance that the Bond, including interest thereon, is payable solely from said revenues and funds specifically pledged to the payment thereof, and shall not constitute a debt or pecuniary liability of the City within the meaning of any constitutional or statutory limitation.

Adopted this 17th day of June, 2014.

Mayor

Attest: _____
City Clerk

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon said resolution was declared duly passed and adopted.

CITY OF EDINA, MINNESOTA

PROGRAM FOR A MULTIFAMILY HOUSING DEVELOPMENT UNDER MINNESOTA STATUTES, CHAPTER 462C

YORKTOWN CONTINENTAL PROJECT

General Program

The City believes that a need exists to provide affordable housing options available within the City and the surrounding area. To meet such housing needs, the City plans to encourage the development and maintenance in the City of multifamily housing particularly adapted to the needs of low-income residents. A major method available to the City to encourage the development of affordable multifamily housing is the issuance of tax-exempt bonds under Minnesota Statutes, Chapter 462C, including without limitation Section 462C.07, and Sections 142(d) or 145, as appropriate, of the Internal Revenue Code of 1986, as amended the "Code"). The specific development described in this Housing Program will be undertaken to further the policies and goals stated in the City's Comprehensive Plan, including particularly the goal of providing affordable housing in the City. This program is subject to amendment or waiver by the City.

Description of the Development To Be Financed

Yorktown Continental, LP, a Minnesota limited partnership (the "Borrower"), is a single-purpose entity with no assets other than the Project, as hereinafter defined, and revenues derived therefrom. The Borrower proposes to finance the acquisition, rehabilitation and equipping of a senior low income housing project located at 7151 York Avenue South in the City (the "Project"). The Borrower anticipates financing a portion of the costs of the Project through the issuance of bonds, in one or more series, by the City in the approximate principal amount of \$26,500,000 (the "Bonds"). The Project consists of the acquisition and rehabilitation of an existing 264-unit building containing 262 one-bedroom units and two two-bedroom units (the "Units"), together with related parking and common areas. At least 40 percent (40%) of the Units in the Project will be leased to individuals earning at or below 60% of the of the median income for the Standard Metropolitan Statistical Area that includes Minneapolis/St. Paul, Minnesota ("AMI"). In addition, 100% of the units are expected to be leased to tenants earning at or below 80% of AMI.

The entire Project will be subject to the exempt facility requirements of Section 142(d) of the Code, which are further described below under the heading "Meeting the Needs of Low and Moderate Income Persons." The Project will be a development described in Minnesota Statutes, Section 462C.05, Subdivision 1(c).

The Project is consistent with the City's Comprehensive Plan. The owner of the Project will be required to operate the Project in accordance with state and local anti-discrimination laws and ordinances, as well as requirements applicable to substantial rehabilitation projects in neighborhoods targeted by the City for revitalization.

Revenue Bond Financing

The Bonds are proposed to be issued pursuant to the authority of Minnesota Statutes, Section 462C.07, subdivision 1.

The Bonds will be issued in one or more series. The underwriter of the Bonds is expected to be Dougherty & Company LLC. The Bond sale is expected to be completed by August 31, 2014. Attached as Exhibit A is a Sources and Uses Summary showing, on a preliminary basis, the Bonds to be issued and the costs to be paid. It is likely that the final sources and uses will vary from this Exhibit – but the aggregate principal amount of Bonds to be issued will not exceed the figure above.

It is anticipated that most of the Bonds will be issued on a tax-exempt basis as “exempt facility bonds” pursuant to Section 142(d) of the Code.

The Bonds will not be general obligations of the City, but will be secured only by the revenues and property specifically pledged to the payment thereof pursuant to the financing agreement(s) and the trust indenture(s) pursuant to which the Bonds will be issued. Substantially all of the net proceeds of the Bonds (the initial principal amount thereof, less amounts deposited in a reasonably required reserve, if any, or paid out as costs of issuance of the Bonds) will be used to pay the costs of the Project.

Meeting Needs of Low and Moderate Income Persons

As a condition for providing financing for the Project, the City is requiring that the Borrower enter into a fifteen-year Regulatory Agreement with the City wherein the City will require that the Project be operated as a residential rental project with at least 40% of the residential units in the Project occupied (within the meaning of the regulations under Section 142(d) of the Code), by Low Income Tenants during the Qualified Project Period. “Low Income Tenants” means tenants whose adjusted gross income at the time of their initial occupancy is sixty percent (60%) or less of AMI. Each tenant's adjusted household income is determined in a manner consistent with income determinations under Section 8 of the United States Housing Act of 1937, as amended without adjustment for family size. “Qualified Project Period” means the period beginning on the date of issue of the Bonds and ending on the later of the date:

- (a) which is fifteen years after the date on which at least fifty percent of the units of the Project are first occupied;
- (b) on which no tax-exempt private activity bond issued with respect to the Project is outstanding; or

(c) on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates.

In addition, the Project is subject to a Use Agreement and Amendment of Existing Regulatory Agreement for Nonprofit Investors dated July 12, 1996 with the Secretary of Housing and Urban Development for the remaining useful life of the Project. Under such agreement, the Borrower expects that 251 of the Project's units will be leased to tenants earning 50% or less of AMI. Such agreement is subject to amendment.

Bond Allocation.

The City, at the request of the Borrower, will apply for a volume cap allocation for issuance of the Bonds under Minnesota Statutes, Chapter 474A.

Monitoring Methods

It is believed that the oversight exercised by the trustee bank and certain other parties will be adequate to insure the Project as presented is in fact carried out. The Project must be operated by the Borrower in accordance with various operating covenants (relating to such things as maintenance, insurance, etc.) to be contained in the financing agreement(s) and related mortgage loan documents to be entered into by the City, the Borrower and certain other parties, which financing agreement(s) and mortgage loan documents will be assigned by the City, to the extent of the City's interests, and to the trustee bank as security for the Bondholders.

The City will be required to monitor compliance with the income and rent restrictions set forth in the Regulatory Agreement and will require regular reporting from the Borrower as to the incomes of tenants occupying the lower-income units and the rental rates for such units. The City, the HRA and their staffs can satisfactorily monitor such compliance.

All costs incurred by the City in connection with the Project and the issuance of the Bonds will be paid by the Borrower. The Borrower will pay an up-front issuance fee of ½ of 1% of the total principal amount of the Bonds to defray ongoing administrative costs to be incurred by the City.

Housing Program Dated May 22, 2014
Public Hearing Held June 17, 2014

EXHIBIT A
SOURCES AND USES OF FUNDS

Sources of Funds:

Par amount of Series 2014A Bonds	16,500,000
Par amount of Series 2014B Bonds	6,360,000
Par amount of GNMA Mortgage	15,000,000
Seller Note	19,500,000
Tax Credit Equity	5,808,890
Cash flow from operations	743,567
Borrower equity / deferred developer fee	381,895

Total Sources \$64,294,352

Uses of Funds:

Acquisition Cost	22,100,000
Deposit to Investment Vehicle	16,500,000
Construction Costs	15,629,140
Architect's Fees	599,696
Loan Costs	1,073,494
Costs of Issuance	579,400
Tax Credit Fees	138,897
Reserves and Escrows	3,625,453
Developer Fee	4,048,272

Total Uses \$64,294,352

City of Edina
**TAX-EXEMPT REVENUE BOND
FINANCING GUIDELINES**

1. **A SIGNIFICANT AMOUNT OF THE BOND PROCEEDS MUST BE USED FOR PROPERTY IMPROVEMENTS OR TO REFUND PREVIOUSLY ISSUED CITY OF EDINA BONDS OR TO PROMOTE OR PRESERVE HOUSING FOR LOW AND MODERATE INCOME INDIVIDUALS OR FAMILIES.**

In addition to new construction, public improvements include replacing or rehabilitating basic building systems such as plumbing, electrical, mechanical, structural, energy efficiency improvements, leasehold improvements, or improvements correcting or improving accessibility for disabled persons.

2. **ALL PROPERTIES RECEIVING REVENUE BOND FINANCING MUST COMPLY WITH URBAN DESIGN STANDARDS.**

Urban design standards include adequate parking, landscaping, screening, and noise and air quality.

3. **REVENUE BONDS WILL ONLY BE ISSUED IF:**

- The Bonds bear a rating of at least "A" or an equivalent rating, or
- The Bonds are privately placed rather than publicly offered, or
- The Bonds are secured by a letter of credit from a financial institution acceptable to the City or other acceptable security sufficient at all times to cover debt service, or
- There is submitted to the City a feasibility study satisfactory to the Council which concludes that sufficient revenues will be generated to cover debt service.

4. **THE CITY OF EDINA MAY ISSUE REVENUE BONDS A PORTION OF WHICH BENEFIT PROPERTIES OUTSIDE THE CITY LIMITS SUBJECT TO THE FOLLOWING:**

- At least 51% of the bond proceeds must be directed to projects within Edina
- A formal request must be received from the City in which the project is located
- The City Council must conclude that the use of bond proceeds in another city will not cause a relocation of a business entity or employees from Edina

5. **AN ISSUANCE FEE OF UP TO ½ PERCENT OF THE PRINCIPAL AMOUNT OF THE BOND ISSUE MUST BE PAID TO THE CITY IN ADDITION TO OTHER COSTS OF ISSUANCE.**

6. **THE ISSUANCE OF THE REVENUE BONDS MUST NOT ADVERSELY AFFECT THE CITY'S ABILITY TO ISSUE BANK QUALIFIED BONDS.**

7. **THE CITY RESERVES THE RIGHT TO SELECT BOND COUNSEL AND OTHER CONSULTANTS OR ADVISORS WITH RESPECT TO THE BOND ISSUE.**

AFFIDAVIT OF PUBLICATION

STATE OF MINNESOTA) ss
COUNTY OF HENNEPIN)

Charlene Vold being duly sworn on an oath, states or affirms that they are the Authorized Agent of the newspaper(s) known as:

SC Edina

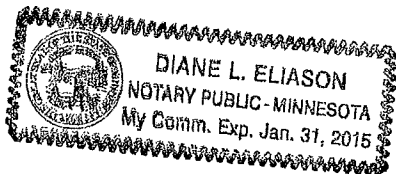
and has full knowledge of the facts stated below:

- (A) The newspaper has complied with all of the requirements constituting qualification as a qualified newspaper as provided by Minn. Stat. §331A.02, §331A.07, and other applicable laws as amended.
- (B) This Public Notice was printed and published in said newspaper(s) for 1 successive issues; the first insertion being on 05/29/2014 and the last insertion being on 05/29/2014.

By: Charlene Vold
Authorized Agent

Subscribed and sworn to or affirmed before me on 05/29/2014.

Diane L. Eliason
Notary Public



Rate Information:

(1) Lowest classified rate paid by commercial users for comparable space:

\$34.45 per column inch

Ad ID 225559

City of Edina

(Official Publication)
**NOTICE OF PUBLIC HEARING
RELATING TO A HOUSING
PROGRAM AND PROJECT ON
BEHALF OF YORKTOWN
CONTINENTAL, LP AND ITS
FINANCING UNDER SECTION
142(D) OF THE INTERNAL
REVENUE CODE OF 1986, AS
AMENDED, AND CHAPTERS
462A AND 462C, MINNESOTA
STATUTES; CALLING FOR A
PUBLIC HEARING ON THE
FINANCING AND A RELATED
HOUSING PROGRAM**

CITY OF EDINA, MINNESOTA

NOTICE IS HEREBY GIVEN that the City Council of the City of Edina, Minnesota (the "City"), will meet on Tuesday, June 17, 2014, at 7:00 p.m., or as soon thereafter as practicable, in the Council Chambers located at Edina City Hall, 4801 West 50th Street in the City, for the purpose of conducting a public hearing on (i) a proposal that the City issue tax-exempt revenue bonds (the "Bonds"), under Minnesota Statutes, Chapters 462A and 462C, as amended (the "Act") and Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), in order to finance a project (the "Project") consisting of the acquisition, rehabilitation and equipping of a 264-unit multifamily housing facility located at 7151 York Avenue South in the City (the "Facilities"), together with related project costs, on behalf of Yorktown Continental, LP, a Minnesota limited partnership and (ii) a housing program prepared with respect to the Project and its financing. The aggregate principal amount of the Bonds to be issued for the Project will not exceed \$26,500,000.

The Bonds shall be special, limited obligations of the City and shall be payable solely from the revenues pledged to the payment thereof. No holder of any Bond shall ever have the right to compel any exercise of the taxing power of the City to pay the Bonds, or the interest thereon, nor to enforce payment thereon against any property of the City, except money payable by the Borrower to the City and pledged to the payment of the Bonds.

A draft copy of the housing program relating to the Project is available for public inspection at the office of the City Finance Director, located in City offices, between the hours of 8:00 a.m. and 4:30 p.m. on normal City business days.

All persons interested may appear and be heard at the time and place set forth above, or may file written comments with the City Finance Director prior to the date of the hearing set forth above.

Dated: May 29, 2014.

BY ORDER OF THE
EDINA CITY COUNCIL
By /s/ Debra Mangen, City Clerk
City Finance Director

5/29/14, 3SC1, PHN
Yorktown Commons, 225559